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MAHER SHOES

LIMITED

ANNUAL REPORT

January 31st, 1969

MAHER SHOES LIMITED

Annual Report for the fiscal year ended January 31, 1969

DIRECTORS

Lane R. Chester
Jack B. Coutts
Earl H. Orser
George F. Travelle
Donald G. Willmot
George M. Wilson
Thomas P. Wilson

OFFICERS AND MANAGEMENT

Lane R. Chester, Chairman of the Board
Jack B. Coutts, President
Thomas P. Wilson, Vice-President
George F. Travelle, Secretary
Frank R. Harvey, Treasurer
J. Wemyss Reid, President – Copp the Shoe Man Limited
Donald E. Ross, Merchandising Director
Lorne D. Phillips, Sales Manager – Maher Shoe Stores
Robert C. Wilson, Sales Manager – Bonita Stores
Eckhardt J. Baker, Sales Manager – Leased Departments

AUDITORS

Clarkson, Gordon & Co., Toronto, Canada

SOLICITORS

Kilmer, Rumball, Gordon, Davis and Smith, Toronto, Canada

HEAD OFFICE

144 Front Street West, Toronto 1, Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, Toronto, Canada

HIGHLIGHTS

	Year ended January 31 1969	1968	% Increase
Net Earnings per Common Share	$ 2.43	$ 1.98	22.7
Cash Flow per Common Share	3.41	2.75	24.0
Net Earnings	580,648	490,044	18.5
Dividends Paid			
per Preference Share	.60	.60	—
per Common Share	.54	.48	12.5
Return on Average Invested Capital	26.4%	25.0%	1.4
Federal and Provincial Income Taxes	688,000	566,000	21.6
Depreciation and amortization	185,735	129,538	43.4
Fixed Asset Additions (Net)	295,147	115,768	154.9
Retail Outlets	153	129	18.6

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Financial

Record sales and earnings were attained in the year ended January 31, 1969. Net income per common share after providing for preference share dividends for the year was $2.43, up 22.7% from $1.98 per share in the preceding year. Consolidated net earnings amounted to $580,648, an increase of 18.5% over 1968 reported earnings of $490,044. Return on average invested capital of 26.4% compares with 25.0% in 1968. The excellent results reflect normal growth combined with the successful integration of Copp the Shoe Man Limited.

Development and Expansion

At year end, 153 retail units were operating comprised of Maher and Copp family shoe stores, Bonita Beautiful Shoe Salons, and Leased Departments. This compares with 129 retail units at the end of the preceding year. Six smaller retail stores, which had not been contributing significantly to volume or earnings were closed. A carefully planned programme of phasing out smaller uneconomical stores combined with the trend to locate in community and regional shopping centres, has successfully contributed to an increase in the average volume per unit. This increase is the highest on record, and results from a concentrated effort to obtain exposure in those markets having the greatest population density.

Our aggressive programme to secure new locations is an important factor in the steady improvement in sales and earnings. Currently, we have 20 new locations under review, of which 10 are expected to open in 1969. In addition to new store locations, we are continuing to investigate potential acquisition opportunities with which to broaden and strengthen the earnings base of the Company.

Retailing

Consumer markets continue to reflect increased demands for quality merchandise. In anticipation of customer requirements, we are developing an ever increasing selection of high grade quality footwear with our brand names continuing to gain broad acceptance.

Fashion trends play an important part in the marketing of shoes and management must anticipate the rapid and frequent style changes in order to bring the newest fashion footwear to all age groups. The young adult and teen categories are spending more on clothing and fashion apparel than does any other age bracket. We have achieved considerable success in serving this growing and dynamic consumer group.

Traditionally, Maher and Copp have combined fashion and quality at popular prices to emphasize the family concept. By maintaining an extensive range of popular priced footwear, the broad family market is served throughout Ontario and Western Canada.

Other Operations

Although Maher traditionally has been a highly retail orientated Company, the Manufacturing, Special Contracts and Wholesale Divisions provide a useful and profitable complement to the operations of the retail divisions. The Company manufactured lines of work boots supplemented by men's and boy's casuals, are marketed throughout Canada. Management devoted considerable effort throughout the year to increase plant productivity. The Special Contracts and Wholesale Divisions continue to expand geographically and penetrate more deeply into existing markets, sales in both Divisions recording satisfactory increases in the past year.

Appreciation

The Company's profit-sharing programme recognizes the productivity of members of the staff in all Departments of the Company's operation. In the year just ended $190,000 was distributed under this plan. In 1968, the Company introduced a contributory Pension Plan for the security upon retirement of all regular members of the staff. We are indebted to the dedicated men and women in our organization who have with skill, knowledge, and enthusiasm devoted themselves to the service of the Company. We extend sincere thanks to our loyal customers for their patronage and to the shareholders for their interest in the progress of the Company.

Outlook

While service industries and rising levels of personal income taxes are commanding an ever increasing share of personal disposable income, there is every indication that customer acceptance of our merchandise will continue at a high level. Accordingly, we are optimistic and confident that 1969 will be another successful and profitable year for the Company.

On Behalf of the Board of Directors

Chairman of the Board.

President.

Toronto, Canada, April 23, 1969.

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CONSOLIDATE

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ASSETS

	1969	1968
Current:		
Cash and short term deposits	$ 31,701	$ 492,732
Accounts receivable	206,812	165,456
Inventories, valued at the lower of cost or market	2,754,064	1,919,953
Prepaid expenses	53,591	51,802
	3,046,168	2,629,943
Fixed:		
Buildings (note 2)	610,854	697,669
Fixtures and equipment, at cost	1,404,405	1,161,825
	2,015,259	1,859,494
Less accumulated depreciation	940,473	803,398
	1,074,786	1,056,096
Land (note 2)	592,500	660,000
Improvements to store premises, at cost less accumulated amortization	618,898	338,055
	2,286,184	2,054,151
Other:		
Special refundable tax	30,303	26,624
Debenture issue expenses, at cost less amounts written off	35,747	39,719
Excess of cost of investment in a predecessor company over the values assigned to its tangible assets as at date of acquisition (note 2)	1,172,595	1,172,595
	1,238,645	1,238,938
	$6,570,997	$5,923,032

On behalf of the Board:

Lane R. Chester, Director

Jack B. Coutts, Director

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...BALANCE SHEET

...Y 31, 1969

LIABILITIES

	1969	1968
Current:		
Bank indebtedness	$ 334,588	
Accounts payable and accrued charges	689,617	$ 521,388
Income and other taxes payable	342,368	345,175
Current portion of long-term debt	48,000	48,000
	1,414,573	914,563
Long-term Debt:		
6¼% sinking fund debentures Series A maturing April 1, 1987	1,700,000	1,750,000
Less instalment due within one year included under current liabilities	48,000	48,000
	1,652,000	1,702,000
Deferred Income Taxes	36,000	24,000
Shareholders' Equity:		
Capital —		
Authorized:		
156,675 60¢ cumulative, non-redeemable preference shares without par value		
400,000 common shares without par value		
Issued:		
156,666 preference shares	1,413,127	1,413,127
200,000 common shares	1,032,816	1,032,816
	2,445,943	2,445,943
Retained earnings	1,022,481	836,526
	3,468,424	3,282,469
	$6,570,997	$5,923,032

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MAHER SHOES LIMITED

and its wholly-owned subsidiary

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED JANUARY 31, 1969

	1969	1968
Earnings before the undernoted items	$1,603,016	$1,343,954
Depreciation and amortization	185,735	129,538
Loss (gain) on disposal of fixed assets	(5,580)	17,497
	180,155	147,035
Operating profit before interest and income taxes	1,422,861	1,196,919
Deduct:		
Debenture interest (including write off of debenture issue expenses of $3,972 in 1969 and $4,181 in 1968)	105,444	113,656
Bank and other interest (net)	48,769	27,219
	154,213	140,875
Earnings before income taxes	1,268,648	1,056,044
Income taxes	688,000	566,000
Net earnings for the year	580,648	490,044
Retained earnings, beginning of year	836,526	536,482
	1,417,174	1,026,526
Deduct:		
Dividends paid on —		
Preference shares — 60¢ per share	94,000	94,000
Common shares — 54¢ per share (48¢ in 1968)	108,000	96,000
	202,000	190,000
Excess of purchase price over underlying value of subsidiary's net assets at date of acquisition (note 1)	192,693	
	394,693	190,000
Retained earnings, end of year	$1,022,481	$ 836,526

See accompanying notes

MAHER SHOES LIMITED

and its wholly-owned subsidiary

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JANUARY 31, 1969

	1969	1968
Funds provided:		
From operations —		
Net earnings for the year	$ 580,648	$ 490,044
Add depreciation, amortization and other non-cash charges included	196,127	154,216
	776,775	644,260
Disposal of company-owned properties (net)	155,397	
	932,172	644,260
Funds applied:		
Fixures, equipment and improvements (net)	450,544	115,768
Special refundable tax	1,301	26,624
Reduction in long-term debt	50,000	48,000
Dividends paid	202,000	190,000
Cost of investment in wholly-owned subsidiary in excess of its working capital at date of acquisition	312,112	
	1,015,957	380,392
Increase (decrease) in working capital	(83,785)	263,868
Working capital, beginning of year	1,715,380	1,451,512
Working capital, end of year	$1,631,595	$1,715,380
Current assets	$3,046,168	$2,629,943
Current liabilities	1,414,573	914,563
Working capital	$1,631,595	$1,715,380

See accompanying notes

MAHER SHOES LIMITED

and its wholly-owned subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1969

1. The consolidated financial statements include the financial position and operating results of Maher Shoes Limited and its wholly-owned subsidiary, Copp The Shoe Man Limited. The operating results of the subsidiary reflect its earnings since February 29, 1968, the date of its acquisition by Maher. The excess of the purchase price paid for subsidiary's shares over the underlying value of its net assets at date of acquisition, amounting to $192,693, has been written off to retained earnings.

2. The company's land and buildings are valued at depreciated replacement value as determined by Dominion Appraisal Company Limited on March 24, 1965, with subsequent additions at cost. Depreciation charges have been based on the appraised asset values where applicable. The surplus arising from this appraisal in 1965 was applied to reduce the excess of the cost of the investment in the predecessor company over the book values of its tangible assets at the date of acquisition.

3. Remuneration of directors and senior officers amounted to $170,109 for the year ended January 31, 1969.

4. The minimum annual rentals, exclusive of taxes and other expenses, total approximately $440,000 under long term lease agreements extending beyond five years from January 31, 1969 and maturing at various dates to October 14, 1987.

5. Effective December 31, 1968 the company established an employees' pension plan. As at that date the company's actuary computed the present value of the company's liability for unfunded past service costs at $674,830, and following payment of $44,090 upon inception of the plan, the company proposes to fund the balance of $630,740 in equal annual installments of $44,090 over the next 21 years.

AUDITORS' REPORT

To the Shareholders of

MAHER SHOES LIMITED:

We have examined the consolidated balance sheet of Maher Shoes Limited and its wholly-owned subsidiary as at January 31, 1969 and the statements of consolidated earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,

April 1, 1969.

CLARKSON, GORDON & CO.,

Chartered Accountants

MONTREAL 3,
P.O. BOX 250
845-6108

FINANCIAL COUNSEL

— ESTABLISHED 1925 —

TORON[T
6 Adelaide
368-1

Press Article Authorized by:

Maher Shoes Limited,
144 Front St. West,
Toronto 1, Ont.

● FOR RELEASE

WEDNESDAY
APRIL 23,1969

MAHER SHOES RECORD HIGH SALES, EARNINGS

Record sales and earnings were attained by Maher Shoes Ltd. in year ended Jan. 31, 1969. Net per common share, after preferred dividends, was equal to $2.43, or 22.7 per cent above the $1.98 per common share in the preceding year. Consolidated net earnings of $580,648 rose 18.5 per cent from $490,044. Return on average invested capital reached a high of 26.4 per cent, an increase from 25 per cent in year ended in 1968. Cash flow per common share of $3.41 showed a gain of 24 per cent from $2.75.

The excellent results reflect normal growth combined with the successful integration of the Copp division, reports Jack B. Coutts, president. Optimism and confidence are expressed by the president that 1969 will be another successful and profitable year.

At the year-end, 153 retail units were operating, compared with 129 at end of the previous year. Increase in volume per unit was highest on record, as result of a concentrated effort to obtain exposure in markets having greatest population density.

Currently, 20 new locations are under review, of which 10 are expected to open in 1969. In addition to new store locations, management is continuing to investigate potential acquisition opportunities with which to broaden and strengthen the Company's earnings base.

MONTREAL 3,
P.O. BOX 250
845-6108

FINANCIAL COUNSEL

— ESTABLISHED 1925 —

TORONTO 1,
6 Adelaide St., E.
368-1674

Press Article Authorized by:

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Toronto 1, Ont.

● FOR RELEASE

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APRIL 23,1969

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At the year-end, 153 retail units were operating, compared with 129 at end of the previous year. Increase in volume per unit was highest on record, as result of a concentrated effort to obtain exposure in markets having greatest population density.

Currently, 20 new locations are under review, of which 10 are expected to open in 1969. In addition to new store locations, management is continuing to investigate potential acquisition opportunities with which to broaden and strengthen the Company's earnings base.

FOR RELEASE

IMMEDIATE [illegible]
APRIL 22, 1959

Daher Shoes Limited,
[illegible] St. [illegible],
Montreal, Que.

DAHER SHOES ANNOUNCES RECORD EARNINGS

Record sales and earnings were attained by Daher Shoes Limited in the year ended Jan. 31, 1959. Net per common share, after preferred dividends, was equal to [illegible], or [illegible] per cent [illegible] in the preceding year. Consolidated [illegible] of [illegible] compared with [illegible]. Before [illegible] working capital increased [illegible] per cent [illegible] from [illegible] per cent [illegible] and [illegible]. [illegible] per common share of [illegible] per [illegible].

The [illegible] results reflect [illegible] continued with [illegible] of the [illegible], reports [illegible] president. [illegible] and [illegible] that [illegible] in [illegible] and [illegible] year.

At the year-end, [illegible] units were operating, compared [illegible] of the previous year. Increases in volume [illegible] [illegible] a [illegible] to [illegible] in [illegible].

Currently, [illegible] new locations are under review, [illegible] are expected to open in 1959. In addition to new store locations, [illegible] [illegible] [illegible] existing [illegible].

Maher Shoes Ltd.

Profit & Loss	Year Ended Jan. 31-69	Year Ended Jan. 31-68
Oper.Profit	$1,603,016	$1,343,954
Depreciation	185,735	129,538
Sale Fixed Assets	5,580-G	17,497-L
Interest, Etc.	154,213	140,875
Pre-Tax Profits	1,268,648	1,056,044
Income Taxes	688,000	566,000
Net Earnings	580,648	490,044
Prev.Surplus	836,526	536,482
	1,417,174	1,026,526
Divid's Pfd.	94,000	94,000
Divid's Com.	108,000	96,000
Write-Off (a)	192,693	--- ---
Ret'd Earnings	$1,022,481	$ 836,526
Net Com. Share	$2.43	$1.98
Paid Com.Share	0.54	0.48

(a) Write-off of excess of purchase price paid for subsidiary's shares over underlying value of its net assets at date of acquisition. (G) Gain. (L) Loss.

Assets	Jan. 31-69	Jan. 31-68
Cash	$ 31,701	$ 492,732
Receivables	206,812	165,456
Inventories	2,754,064	1,919,953
Prep.Exp's	53,591	51,802
Current Assets	3,046,168	2,629,943
Fixed Assets (x)	2,286,184	2,054,151
Misc.Assets (y)	1,238,645	1,238,938
Total Assets	$6,570,997	$5,923,032

Liabilities	Jan. 31-69	Jan. 31-68
Bk.Indebtedness	$ 334,588	$ --- ---
Payables	689,617	521,388
Taxes	342,368	345,175
Inst.L/T Debt	48,000	48,000
Current Liabilities	1,414,573	914,563
Funded Debt	1,652,000	1,702,000
Def.Inc.Taxes	36,000	24,000
Capital (z)	2,445,943	2,445,943
Ret'd Earnings	1,022,481	836,526
Total Liabilities	$6,570,997	$5,923,032
Working Capital	$1,631,595	$1,715,380

(x) After depreciation-$940,473 and $803,398 respectively.
(y) Excess of cost of investment in a predecessor company over values assigned to its tangible assets at date of acquisition.
(z) 156,666-60¢ cumulative preference shares and 200,000 common shares.